

CAPE HENLOPEN SCHOOL DISTRICT
INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING
AGREED-UPON PROCEDURES

B E L F I N T
L Y O N S &
S H U M A N

CERTIFIED PUBLIC ACCOUNTANTS



Independent Accountants' Report on Applying Agreed-Upon Procedures

The Honorable Lillian M. Lowery
Secretary, Department of Education
Townsend Building, Suite 2
401 Federal Street
Dover, DE 19903-1402

George E. Stone, Ed.D.
Superintendent
Cape Henlopen School District
1270 Kings Highway
Lewes, DE 19958

CERTIFIED
PUBLIC
ACCOUNTANTS
& CONSULTANTS

Dear Secretary Lowery and Mr. Stone:

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We have performed the procedures enumerated below, which were agreed to by the Department of Education (DOE) and Cape Henlopen School District (District) solely to assist you, the specified parties in evaluating the compliance and effectiveness of the District's internal control over compliance with DE Code Chapters 13 and 17, Senate Bill 385 and DE Admin Code Title 14 Subsection 525, 701 and 925. Procedures were performed for student accounting and enrollment as of September 30, 2008. In addition, procedures were performed for authorized positions and occupational-vocational unit Division II funding for fiscal year ended June 30, 2008. Management is responsible for the District's internal control over compliance with the requirements related to the above areas.

This agreed-upon procedures attestation engagement was performed in accordance with Government Auditing Standards, issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

STUDENT ENROLLMENT

Agreed-Upon Procedure Number 1: Determine if the District's policies and procedures for preparing, reviewing and reporting the September 30 student count are adequate.

Finding:

Criteria

The State of Delaware Budget and Accounting Policy Manual states, "Department or agency heads are responsible for establishing and maintaining an effective system of internal control." Further, the manual states, "A well designed system of controls must include written policies and procedures to ensure that each control objective is met." State of Delaware regulations provide guidance on processes it considers

Agreed-Upon Procedure Number 1 - Continued:

Criteria - Continued

necessary for adequate written internal controls over preparing, reviewing and reporting the September 30 student count.

Condition

We obtained the District's written policies and procedures regarding the September 30 student count. Our review determined that certain processes considered necessary for adequate internal control were excluded from the District's written policies and procedures.

Cause

The District does not have complete written controls based on State of Delaware regulations and guidance. Additionally, the District failed to implement the recommendation included in the prior and most recent agreed-upon procedure report dated December 16, 2005, which recommended the District include the necessary processes for adequate written internal controls over preparing, reviewing and reporting the September 30 student count as determined by State of Delaware regulations.

Effect

Insufficient written policies and procedures create a greater risk of noncompliance with DE Code and the DOE regulations and guidelines including improperly reporting students to the DOE during the September 30 student count.

Recommendation: It is our determination that the District's current written policies and procedures be expanded to include the following:

- Policies and procedures in regard to gathering and maintaining documentation that supports attendance and reported enrollment figures (medical excuses, transfer/entry/withdrawal forms, homebound documentation, documentation relating to children placed in alternative education settings, re-engineered students, etc.) including the positions involved and their responsibilities
- Procedures for students who have been absent greater than five days during the count period
- Procedures to ensure eligibility to count a student that transferred in during the count period
- Procedures to ensure students transferring out of District during the count period are counted by the appropriate District
- Retention policy of records supporting the September 30 student count (September 30 audit file)
- Attendance-taking processes to include E-School software procedures
- Policies and procedures in regard to Individualized Education Program files to ensure the information is present and current
- Policies and procedures to ensure vocational student files are current and contain the required information in accordance with the DOE's Administrative Directives

Agreed-Upon Procedure Number 1 - Continued:

District Response: The District agrees and will update District procedures and policies to include the recommended items.

Agreed-Upon Procedure Number 2: Determine if the District properly reported enrollment figures to the DOE. Calculate the dollar impact of disallowed students, if applicable.

Finding:

Criteria

State of Delaware Administrative Code Title 14 Chapter 700 Subsection 701 entitled "Unit Count"

Condition

During our procedure the following conditions were found:

<u>School</u>	<u>Condition</u>
Cape Henlopen High School	A ninth grade student whose enrollment and attendance at an alternative placement program during the September 30 count period was not substantiated by the School and was included in the School's September 30 student count. Verification of the student's enrollment after September 30th revealed the student never enrolled in the program.
Cape Henlopen High School	Three ninth grade students and one tenth grade student absent all 10 days during the September 30 count period with no documentation on file supporting their inclusion were included in the School's September 30 student count.
Cape Henlopen High School	One eleventh grade student absent all ten days during the September 30 count period due to medical reasons was included in the School's September 30 student count without having on file, at September 30, documentation supporting an expected return date prior to November 1.
Cape Henlopen High School	One twelfth grade student absent all 10 days during the September 30 count period while participating in a foreign exchange program was included in the School's September 30 student count.
Shields Elementary	One kindergartner and one fourth grade student absent all 10 days during the September 30 count period with no documentation on file supporting their inclusion were included in the School's September 30 student count.

Agreed-Upon Procedure Number 2 - Continued:

Cause

The above schools failed to perform procedures ensuring each student reported in their school's September 30 student count had on file documentation supporting their inclusion in accordance with Delaware Administrative Code Title 14 Chapter 700 Subsection 701. Procedures, such as a review process for the eligibility of all enrolled students, would have detected the above conditions and would have provided the schools an opportunity to obtain appropriate documentation and/or revise their enrollment figures.

Effect

As a result of the above conditions, the District improperly reported nine students in their September 30 student count and was overfunded .53 of a unit equivalent to \$36,080 in State funding.

Recommendation: It is our recommendation the District consult with DOE regarding appropriate repayment terms. It is further our recommendation these schools implement a review process to ensure proper reporting of all enrolled students in the September 30 student count.

District Response: The District agrees with the finding and will take the steps necessary to address the recommendation.

Agreed-Upon Procedure Number 3: Select ten percent (10%) or a minimum of five "Individualized Education Program" (IEP) files at each school to verify that each file contains the required documentation in accordance with the DOE's Administrative Manual for Special Education Services. Calculate the dollar impact of disallowed students, if applicable.

Finding:

Criteria

State of Delaware Administrative Code Title 14 Chapter 900 Subsection 925 entitled "Children with Disabilities Subpart D, Evaluations, Eligibility Determination, Individualized Education Programs"

Condition

While performing the procedure above, we found all files selected contained the required documentation in accordance with the DOE's Administrative Manual for Special Education Services.

Agreed-Upon Procedure Number 4: Select ten percent (10%) or a minimum of five students enrolled in the Cooperative Education and Diversified Education Programs and confirm that the students' files contain the required documentation in accordance with the DOE's Administrative Directives and calculate the dollar impact of disallowed students, if applicable.

Criteria

Title 14 Delaware Administrative Code Chapter 500 Subsection 525 "Requirements for Career and Technical Programs"

Agreed-Upon Procedure Number 4 - Continued:

Condition

We found that all files selected in Cooperative Education and Diversified Education Programs contained the required documentation in accordance with the DOE's Administrative Directives.

AUTHORIZED POSITIONS

Agreed-Upon Procedure Numbers 1 and 2:

- Determine if the District's control procedures for monitoring, tracking and reconciling the number of employees are adequate.
- Determine if the District's control procedures for monitoring and tracking salaries charged to the State's general fund are adequate.

Finding:

Criteria

The State of Delaware Budget and Accounting Policy Manual states, "Department or agency heads are responsible for establishing and maintaining an effective system of internal control." Further, the manual states, "A well designed system of controls must include written policies and procedures to ensure that each control objective is met." State of Delaware regulations provide guidance on processes it considers necessary for adequate written internal controls over monitoring and tracking the number of employees and salaries charged to the State's general fund.

Condition

We obtained the District's written policies and procedures regarding controls over monitoring and tracking the number of employees and salaries charged to the State's general fund. Our review determined that the necessary processes identified by the State of Delaware are included in the District's written policies and procedures.

Agreed-Upon Procedure Number 3: Compare the number of paid positions by category to the number of authorized positions per 14 DE Code, Chapters 13 and 17.

Criteria

State of Delaware Code Title 14 Chapters 13 and 17 entitled "Salaries and Working Conditions of School Employees" and "State Appropriations"

Agreed-Upon Procedure Number 3 - Continued:

Condition

When comparing the number of paid positions by category, utilizing the payroll report detailing wages paid on February 15, 2008, to the number of authorized positions as determined by 14 DE Code, Chapters 13 and 17 it was determined that the District was operating within its number of authorized positions by category.

Agreed-Upon Procedure Number 4: Recalculate the annual salary of the following selected positions to determine if employees were paid in accordance with 14 DE Code, Chapter 13.

Superintendents =	100%
Assistant Superintendents =	100%
Principals =	100%
Directors =	100%
Classroom Teachers =	10%

Finding:

Criteria

State of Delaware Code Title 14 Chapter 13 entitled "Salaries and Working Conditions of School Employees"

Condition

State of Delaware Code Title 14 Chapter 13 Subsection 1307 entitled "Salary Schedule for Principals Subordinate to a Chief School Officer" states that a full time principal with 4 or more years of administrative experience operating within a school having 60 or greater Division I units shall be paid an administrative responsibility index of .14.

Our procedure determined that during FY08 a full time principal who was entitled to an administrative responsibility index of .14 was paid at an administrative responsibility index of .13.

Cause

When determining the administrative responsibility index for the Sussex Consortium's principal the District incorrectly used 42.59 Division I units as calculated by the September 30, 2007 student count – traditional instead of 65.05 Division I units as calculated by the September 30, 2007 student count - needs based.

Effect

As a result of the above condition, the Sussex Consortium's principal did not receive a total of \$569 in salary compensation during FY08 which was entitled to be paid under 14 DE Code, Chapter 13.

Recommendation: It is our recommendation the District consult with the DOE and the Sussex Consortium's principal to determine an appropriate form of restitution.

Agreed-Upon Procedure Number 4 - Continued:

District Response: The District will consult with the DOE and take steps to resolve the issue.

OCCUPATIONAL-VOCATIONAL UNIT DIVISION II FUNDS

Agreed-Upon Procedure Number 1: Obtain confirmation from the DOE if the District was granted a waiver of the 90% requirement to allocate the occupational-vocational unit Division II funding to each school that generated the funding.

Finding:

Criteria

State of Delaware Code Title 14 Chapter 17 Subsection 1706 entitled "Determination of Amount of Division II Appropriation"

Condition

The District chose not to request a waiver from the DOE.

Agreed Upon Procedure Number 2: Select a sample of FY07 and FY08 occupational-vocational funds expended from July 1, 2007 through June 30, 2008 to determine if they were (1) expended for State-approved occupational-vocational courses and programs within the District and (2) supported by adequate documentation and (3) properly coded in the Delaware Financial Management System (DFMS). Our sample was selected as follows:

For funds received during FY07 (0265-07 funding) but spent during FY08, and for funds received and spent during FY08 (0265-08 funding), select 10 transactions between the range of \$100 to \$1,000 and 20 percent of transactions greater than \$1,000 or a minimum of 5 transactions (whichever is greater).

Finding:

Criteria

State of Delaware Code Title 14 Chapter 17 Subsection 1706 entitled "Determination of Amount of Division II Appropriation"

Condition

All expenditures examined, relating to FY07 and FY08 occupational-vocational funding were determined to be (1) expended for State-approved occupational-vocational courses and programs within the District and (2) supported by adequate documentation and (3) properly coded in DFMS.

Agreed-Upon Procedure Number 3: Review financial records to determine if FY07 and FY08 occupational-vocational funds were properly allocated to and spent by the schools within the District that generated the funding.

Finding:

Criteria

State of Delaware Code Title 14 Chapter 17 Subsection 1706 entitled "Determination of Amount of Division II Appropriation"

Condition

Our procedure determined that FY08 occupational-vocational funds were misappropriated as follows:

	Fiscal Year 2008 Occupational-Vocational Funds Authorized	Fiscal Year 2008 Occupational-Vocational Funds Expended During Fiscal Year 2008
Beacon Middle School - School Code 724	\$ 12,288	\$ 12,769

Cause

The District miscalculated the amount of occupational-vocational funding for Beacon Middle in their FY08 Division II calculation. The District also failed to compare their calculated amounts with amounts and forms provided by the DOE. A comparison of these amounts would have detected the above condition.

Effect

Beacon Middle expended \$481 of FY08 occupational-vocational funding to which it was not entitled.

Recommendation: It is our recommendation that in order to comply with Chapter 14 of DE Code Subsection 1706 the District repay through local funds, \$481 to appropriation 0265-08 and make those funds available to Beacon Middle.

It is further our recommendation the District thoroughly compare their calculations against the calculations performed by the DOE to detect and resolve future variances and inconsistencies.

District Response: The District will implement the recommendation as stated.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on compliance with specified laws. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the DOE and the District and should not be used by those who have not agreed to the procedures and have not taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited. This report, as required by statute, was provided to the Office of Auditor of Accounts, Office of the Governor, Office of Controller General, Office of Attorney General, Office of Management and Budget, and Secretary of Finance.

Bellini, Lyons & Shuman, P.A.

February 10, 2009
Wilmington, Delaware